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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 2963
RUEKJCS/SECDEF WASHDC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUYNAAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RHHMHBA/COMPACFLT PEARL HARBOR HI//N541// PRIORITY
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// PRIORITY
RUHBANB/OKINAWA FLD OFC US FORCES JAPAN CP BUTLER JA PRIORITY
RHMFIUU/USFJ PRIORITY
INFO RUEHFK/AMCONSUL FUKUOKA 6934
RUEHNH/AMCONSUL NAHA 9317
RUEHNAG/AMCONSUL NAGOYA 5397
RUEHKSO/AMCONSUL SAPPORO 7530
RUEHOK/AMCONSUL OSAKA KOBE 0602
RUEHBJ/AMEMBASSY BEIJING 2478
RUEHMO/AMEMBASSY MOSCOW 2191
RUEHUL/AMEMBASSY SEOUL 8519
RUCNDT/USMISSION USUN NEW YORK 9068
RHEHAAA/NSC WASHDC

UNCLAS SECTION 01 OF 02 TOKYO 000854

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STATE FOR I/RF, PA/PR/FPC/W, IIP/G/EA, EAP/PD, R/MR,
EAP/J, EAP/P, PM;
USTR FOR PUBLIC AFFAIRS OFFICE;
TREASURY FOR OASIA/IMI;
SECDEF FOR OASD/PA;
CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

E.O. 12958: N/A

TAGS: OITP KMDR KPAO JA

SUBJECT: TOKYO MEDIA REACTION - IRAQ AND PROBLEMS IN
FINANCIAL MARKETS

¶1. LEAD STORIES: Several Friday morning papers front-paged the finding by Japanese police that a personal article belonging to a missing U.S. sailor was discovered in the car of a taxi driver who was stabbed to death in Yokosuka on Wednesday.

¶2. "Iraq War Altered World Picture" The business-oriented Nikkei editorialized (3/21): "Because of massive spending on the Iraq war, the U.S. budget deficit has increased, with Washington now relying on investment in U.S. treasury bonds by China and oil producers in the Middle East. In the ongoing global financial market turmoil triggered by the subprime loan crisis in the U.S., some major financial institutions in the U.S. and Europe have been rescued with money from oil producers. The accelerated depreciation of the dollar is shaking its status as a key currency. U.S. power has eroded considerably over the past five years, but no single country or region has emerged to replace the U.S. as a global balancer."

¶3. "Iraq War Leaves Japan with Heavy Lessons" The conservative Sankei's editorial said (3/21): "Many have pointed to the miscalculations the U.S. made on Iraq. Washington's assertion that the Saddam Hussein regime had weapons of mass destruction proved to be invalid. A detailed U.S. military report released recently also denied the existence of evidence pointing to a link between Iraq and al-Qaeda. However, it is too simplistic to declare the war in Iraq a 'war without cause' based solely on these findings.... The tyranny employed by Saddam Hussein was gruesome, as evidenced

by the execution of politicians he deemed rebellious. One cannot argue that the removal of a dictator of a lawless state was meaningless."

14. "U.S. Diplomacy Shifts toward Realism" The top circulation, moderate Yomiuri's Washington correspondent wrote (3/21): "The complex realities of the past five years have led to a change in the Bush administration's policy of containing 'rogue states' by force. Hamstrung by the quagmire in Iraq, Washington has had no choice but to shift from idealism to realism and from unilateralism to multilateralism. The Democratic presidential candidates, who are similarly idealistic about a swift U.S. military pullout of Iraq, are themselves likely to be forced to adopt a more realistic line eventually."

15. "Injection of Public Funds Unavoidable" The liberal Asahi contended in an editorial (3/21): "As the bankruptcy of a major financial institution would throw the global financial markets into chaos, U.S. authorities have no option but to take preemptive measures. The Federal Reserve Board in an unusual move used a special loan approach to bail out Bear Stearns. One can claim that public money has already been used to avert a crisis. The next focal point will be when and how the federal government uses taxpayer money.... There will likely be further twists and turns before taxpayer money is used. The recent decline in U.S. land prices appears to be modest considering the surging values of real estate during the housing bubble. We must keep in mind that the collapse of that bubble has

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just started, and we should be braced for a cold wind from the U.S. for some time."

SCHIEFFER